INTERIM REPORT 2018

Wasion Holdings Limited

威勝控股有限公司

(incorporated in the Cayman Islands with limited liability)

(Stock Code: 3393)

CORPORATE VISION :

Continual Innovation Contributing to Wasion's Centennial History

CORPORATE MISSION :

Energy Metering & Energy Saving Expert

CORPORATE SPIRIT :

Be Cohesive, Ambitious, Down-to-Earth and Creative

MOTTOS OF OPERATION :

Perfect Work with Passion, and Success Achieved with Integrity

CONTENTS

CORPORATE INFORMATION

EXECUTIVE DIRECTORS

Mr. Ji Wei *(Chairman)*
Ms. Cao Zhao Hui
Mr. Zeng Xin
Ms. Zheng Xiao Ping
Mr. Tian Zhongping

NON-EXECUTIVE DIRECTOR

Mr. Kat Chit

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Hui Wing Kuen
Mr. Huang Jing
Mr. Luan Wenpeng
Mr. Cheng Shi Jie

COMPANY SECRETARY

Mr. Choi Wai Lung Edward *FCCA, FCPA*

AUTHORISED REPRESENTATIVES

Mr. Ji Wei
Mr. Choi Wai Lung Edward *FCCA, FCPA*

AUDIT COMMITTEE

Mr. Hui Wing Kuen *(Chairman)*
Mr. Huang Jing
Mr. Luan Wenpeng
Mr. Cheng Shi Jie

NOMINATION COMMITTEE

Mr. Ji Wei *(Chairman)*
Mr. Hui Wing Kuen
Mr. Huang Jing

REMUNERATION COMMITTEE

Mr. Hui Wing Kuen *(Chairman)*
Mr. Ji Wei
Mr. Huang Jing

INTERNAL CONTROL AND RISK MANAGEMENT COMMITTEE

Mr. Hui Wing Kuen *(Chairman)*
Mr. Huang Jing
Mr. Luan Wenpeng
Mr. Cheng Shi Jie
Mr. Zeng Xin
Mr. Kat Chit

PRINCIPAL BANKERS

In Hong Kong:

Standard Chartered Bank
Hang Seng Bank
Hongkong and Shanghai Banking Corporation Limited
Bank of Communications Hong Kong Branch

In the People's Republic of China (the "PRC"):

China Construction Bank
Bank of Communications

LEGAL ADVISER

Sidley Austin
Level 39, Two International Finance Centre
8 Finance Street
Central
Hong Kong

AUDITOR

Deloitte Touche Tohmatsu
35/F, One Pacific Place
88 Queensway
Hong Kong

CORPORATE INFORMATION (Continued)

REGISTERED OFFICE

Cricket Square
Hutchins Drive
P.O. Box 2681GT
George Town
Grand Cayman
British West Indies

PRINCIPAL PLACE OF BUSINESS

Unit 2605, 26/F, West Tower, Shun Tak Centre
168–200 Connaught Road Central
Sheung Wan
Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

SMP Partners (Cayman) Limited
Royal Bank House — 3rd Floor
24 Shedden Road
P.O. Box 1586
Grand Cayman
KY1-1110
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Boardroom Share Registrars (HK) Limited
Room 2103B, 21/F, 148 Electric Road
North Point
Hong Kong

COMPANY WEBSITE

www.wasion.com

STOCK CODE

3393

CORPORATE PROFILE

LEADING TOTAL SOLUTION PROVIDER OF ADVANCED METERING, ADVANCED DISTRIBUTION AND ENERGY EFFICIENCY MANAGEMENT

Wasion Holdings Limited (formerly known as Wasion Group Holdings Limited) ("Wasion Group" or the "Group") is the leading total solution provider of advanced metering, advanced distribution and energy efficiency management in China, and is committed to becoming an "Energy Metering and Energy Saving Expert" in China and across the world. The Group was listed on the Main Board of the Stock Exchange of Hong Kong Limited (the "Stock Exchange") in December 2005, which was the first professional syndicate engaged in energy metering and energy efficiency management in China listed overseas, as well as the first company in Hunan Province listed on the Main Board overseas.

Wasion Group has long been focusing on the research and development, production and sales of total solutions relating to energy metering and energy efficiency management, the products and services of which have been extensively applied in energy supply industries for electricity, water, gas and heat, and large energy-consuming units of large-scale public infrastructure, petroleum and chemical, transportation, machine manufacturing, metallurgical and chemical fields and residents.

The advanced smart metering business of the Group mainly comprises of comprehensive smart meters, smart water meters, smart gas meters and ultrasonic calorimeters; various meters and power quality monitoring devices; comprehensive energy data collection terminals, load management terminals and user management devices; measurement automation systems and various application systems, services and energy data mining. The Group, with more than 20% of the domestic market share of high-end metering products, has built up its leading position in China and is the only professional manufacturer in China which provides various advanced energy metering products, systems and services for electricity, water, gas and heat, as well as satisfies the demand of the whole process from energy production, transmission and distribution to consumers.

The advanced distribution and energy efficiency management business of the Group comprises mainly of 40.5kV/12kV comprehensive high voltage switchgear; 12kV smart switchgear; 35kV/10kV comprehensive circuit breakers; 10kV power distribution automation terminals; electrical and electronic devices for power quality control and smooth connection with new energy; smart distribution systems, engineering and services; energy-saving services, etc. The Group is devoted to becoming the leading total solution provider for advanced distribution system in China.

Amidst the substantial changes in energy production and energy consumption mode in China and the world, the material social responsibility and development opportunities arisen from energy saving and carbon reduction as well as the new demand of smart power grids, Wasion Group will adhere to its corporate motto "Energy Metering and Energy Saving Expert" while upholding its core value "Perfect Work with Passion, and Success Achieved with Integrity" by continuous innovation and improvement in order to become the pioneer in smart power grids and smart metering in China, one of the major international smart power grids and smart metering provider and a well-known international brand.

In the future, every city, every enterprise and every family will be benefited from the use of the technology, products and services of Wasion.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Financial Highlights

	Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
Turnover	**1,654,925**	1,427,583
Gross profit	**496,061**	418,027
Profit from operations (Note)	**211,459**	143,963
Net profit attributable to owners of the Company	**137,405**	170,688
Total assets	**8,288,480**	8,172,816
Shareholders' equity attributable to owners of the Company	**4,083,017**	4,031,372
Basic earnings per share (RMB cents)	**13.8**	17.0
Diluted earnings per share (RMB cents)	**13.8**	17.0

Key Financial Figures

	Six months ended 30 June	
	2018	2017
Gross profit margin	**30%**	29%
Operating profit margin (Note)	**13%**	10%
Net profit margin	**8%**	12%
Trade receivable turnover period (Days)	**317**	378
Inventory turnover period (Days)	**75**	70
Trade payable turnover period (Days)	**322**	372
Gearing ratio (Total borrowings divided by total assets)	**17%**	15%
Interest coverage (Profit before finance costs and tax divided by finance costs)	**8.55**	11.06

Note: Excluding gain on disposal of a subsidiary and gain on bargain purchase of interests in subsidiaries where were non-recurring items.

Revenue

During the period under review, revenue increased by 16% to RMB1,654.93 million (Six months ended 30 June 2017 ("Period 2017"): RMB1,427.58 million).

Gross Profit

The Group's gross profit increased by 19% to RMB496.06 million for the six months ended 30 June 2018 (Period 2017: RMB418.03 million). The overall gross profit margin is 30% in the first half of 2018 (Period 2017: 29%).

Other Income

The other income of the Group amounted to RMB50.44 million (Period 2017: RMB62.95 million) which was mainly comprised of interest income, government subsidy and refund of value-added tax.

Other gains and losses

Other gains for the six months ended 30 June, 2018 amounted to RMB0.83 million (Period 2017: other losses of RMB17.86 million) which comprised mainly investment gain net of net foreign exchange loss.

Operating Expenses

In the first half of 2018, the Group's operating expenses amounted to RMB333.35 million (Period 2017: RMB319.16 million). Operating expenses accounted for 20% of the Group's revenue in the first half of 2018, representing a decrease of 2% as compared with 22% in the first half of 2017.

Finance Costs

For the six months ended 30 June 2018, the Group's finance costs amounted to RMB24.31 million (Period 2017: RMB23.27 million). The increase was attributable to the increase of bank borrowings and loan interest rate during the period.

Operating Profit

Earnings before finance costs and tax excluding gain on bargain purchase of interests in subsidiaries and gain on disposal of a subsidiary which were non-recurring items for the six months ended 30 June 2018 amounted to RMB207.76 million (Period 2017: RMB147.27 million), representing an increase of 41% as compared with the same period of last year.

Profit Attributable to Equity Shareholders of the Company

The profit attributable to equity shareholders of the Company for the six months ended 30 June 2018 decreased by 19% to RMB137.41 million (Period 2017: RMB170.69 million) as compared with the corresponding period of last year.

Liquidity and Financial Resources

The Group's primary sources of working capital and long-term funding needs have been cash flows from operation and financing activities.

As at 30 June 2018, the Group's current assets amounted to approximately RMB5,610.99 million (31 December 2017: RMB5,355.46 million), with cash and cash equivalents totaling approximately RMB1,053.63 million (31 December 2017: RMB1,245.25 million).

As at 30 June 2018, the Group's total bank loans amounted to approximately RMB1,422.67 million (31 December 2017: RMB908.91 million), of which RMB1,160.58 million (31 December 2017: RMB841.21 million) will be due to repay within one year and the remaining RMB262.09 million (31 December 2017: RMB67.7 million) will be due after one year. In the first half of 2018, the interest rate for the Group's bank borrowings ranged from 3.30% to 5.69% per annum (31 December 2017: 2.01% to 5.68% per annum).

The gearing ratio (total borrowings divided by total assets) increased from 12% on 31 December 2017 to 17% on 30 June 2018.

Exchange Rate Risk

Most of the businesses of the Group are settled in Renminbi while businesses in foreign currencies are mainly settled in USD. The fluctuation of exchange rate of both currencies will have certain impact on the Group's business which are settled in foreign currencies. During the period, the Group did not enter into any foreign exchange forward contracts or other hedging instruments to hedge against fluctuations.

Employees and Remuneration Policies

As at 30 June 2018, the Group had 3,733 (31 December 2017: 3,880) staff. The staff costs (including other benefits and contributions to defined contribution retirement plan) amounted to RMB162.47 million in the first half of 2018 (Period 2017: RMB134.95 million). Employee remuneration is determined on performance, experience and prevailing market conditions, with compensation policies being reviewed on a regular basis. The aggregate amount of the emoluments of the Company's directors was RMB2.08 million for the six months ended 30 June 2018 (Period 2017: RMB2.49 million).

The Group's employees in the People's Republic of China (the "PRC") have enrolled in the mandatory central pension scheme operated by the State. The Group also provides housing allowances and benefits for medicine, employment injury and retirement for its staff in the PRC in accordance with the relevant PRC rules and regulations. The directors of the Company (the "Directors") confirm that the Group has fulfilled its obligations under the relevant PRC employment laws. The Group also set up the mandatory provident fund scheme for the employees in Hong Kong.

Share Option Scheme

The Company has adopted a share option scheme (the "Share Option Scheme") on 16 May 2016 whereby the Directors are authorised, at their discretion, to invite eligible participants, including directors of any company in the Group, to take up options to subscribe for ordinary shares in the Company.

The exercise price of options granted, as specified in the rules governing the Share Option Scheme, is to be not less than the highest of the official closing price of the ordinary shares of the Company on the Stock Exchange on the date of the offer of grant of the options, the average of the official closing price of the ordinary shares on the Stock Exchange for the five trading days immediately preceding the date of the offer of grant of the options and the nominal value of an ordinary share of the company. For acceptance of options granted by the Company, an eligible participant is required to duly sign the duplicate offer document constituting acceptance of the options and remit HK$1 to the company within 30 days from the date of receiving the offer of the options.

The movements in the Company's share options during the period are as follows:

Name and category of participants	Number of share options: As at 1 January 2018	Granted during the period	Exercised during the period	Cancelled/ lapsed during the period	As at 30 June 2018	Date of grant of share options	Vesting period of share options	Exercise period of share options	Exercise price of share options* HK$	Share price of the Company as at the date of the grant of share options** HK$
Other employees	9,000,000	–	–	–	9,000,000	10 February 2014	10 February 2014 to 9 February 2016	10 February 2016 to 9 February 2024	4.680	4.680
Other employees	9,000,000	–	–	–	9,000,000	10 February 2014	10 February 2014 to 9 February 2017	10 February 2017 to 9 February 2024	4.680	4.680
Total	18,000,000	–	–	–	18,000,000					

* The exercise price of share options is subject to adjustment made in respect of the alteration in capital structure of the Company.

** The share price of the Company as at the date of the grant of share options was the closing price as quoted on the Stock Exchange of the trading day on the date of the grant of share options.

The valuation was conducted based on the binomial model with the following data and assumptions:

Grant date	10 February 2014	10 February 2014
Fair value per share option	HK$1.846	HK$1.927
Expected volatility	52% per annum	52% per annum
Expected life	6.14 years	6.93 years
Expected dividend	3.3% per annum	3.3% per annum
Risk-free rate of interest	2.23% per annum	2.23% per annum
Rate of leaving service	8% per annum	8% per annum

The binomial model was developed to value option plans which contain vesting and performance conditions. Such option pricing model requires input of highly subjective assumptions, including the expected volatility of the Company's share price which was determined with reference to the historical movements of the share prices of the Company and its comparators. Changes in subjective input assumptions could materially affect the fair value estimate. The binomial model does not necessarily provide a reliable measure of the fair value of share options.

Share Award Scheme

The Company has adopted a share award scheme on 3 May 2016 in which the eligible employees will be entitled to participate. The purposes of the share award scheme are to recognise the contributions by certain employees and to provide them with incentives in order to retain them for the continual operation and development of the Group and also to attract suitable personnel for further development of the Group.

Charge on Assets

As at 30 June 2018, the pledge deposits are denominated in Renminbi and are pledged to banks as security for bills facilities granted to the Group. In addition, the Group's land and buildings are pledged to banks as security for bank loans to the Group.

Capital Commitments

As at 30 June 2018, the capital commitments in respect of the acquisition of property, plant and equipment contracted for but not provided in the condensed consolidated financial information amounted to RMB24.10 million (31 December 2017: RMB24.25 million).

Contingent Liabilities

As at 30 June 2018, the Group had no material contingent liabilities.

MARKET REVIEW

In the first half of 2018 ("period under review"), the global economy continued its growth momentum of last year and recovery growth trend, but the marginal growth momentum was weakened. Under the influence of supply-side structural reforms and external demand recovery, the Chinese economy has been operating smoothly. However, the Chinese economy has been tested by a series of uncertainties due to the China-US trade conflict and external economic risks. National GDP increased by 6.8% year-on-year, a decrease of 0.1 ppt as compared with the same corresponding period of last year.

The total electricity consumption in China totalled 3,219.1 billion kWh with an increase of 8.0% as compared with last year. A new round of energy reform triggered by large-scale development and utilization of new energy is thriving globally, and China has become a practitioner and leader in global energy transformation and green development. Since the 19th National Congress of the Communist Party of China, the concept of "accelerating the reform of the ecological civilization system and building a beautiful China" has been deeply rooted. The deepening of power reforms advocated since the 13th Five-Year Plan, as well as the cleaning, electrification and intellectualization of energy industry have achieved preliminary results.

Two largest power grids have been promoting the electricity reform actively during the period under review. The State Grid Corporation of China (hereinafter referred to as "State Grid") prepares and publishes the "Work Plan for Promoting the Reform of Mixed Ownership". In power grids markets, it accelerates the pilot work of incremental power distribution reform and insists on prioritizing cooperation with social capital. In terms of power transmission and distribution, it has established a scientific and independent transmission and distribution price mechanism covering all levels of power grids. China Southern Power Grid Co., Ltd. (hereinafter referred to as "Southern Grid") institutionalized and standardized the clean energy dispatching work, promulgating the "China Southern Power Grid Corporation 2018 Clean Energy Dispatching Work Plan", and formulated 41 specific measures to utilize clean energy from the operational level to fully implement the national and company requirements for clean energy consumption, in order to push forward the energy production and consumption reform. The requirements of a new round of rural power grid reconstruction and upgrading projects have been underway, and Guangdong has already achieved the transformation of rural power grid transformation.

In face of the opportunities and challenges co-exist in the current social economic environment, the Group has been adhering to three major businesses and recorded a turnover of RMB1,654.93 million during the period under review (first half of 2017: RMB1,427.58 million), representing an increase of 16% as compared with the corresponding period; and a net profit of RMB137.41 million (first half of 2017: RMB170.69 million), representing a decrease of 19% as compared with the corresponding period.

BUSINESS REVIEW

Power Advanced Metering Infrastructure ("Power AMI")

State Grid organized one centralized tender during the period under review, and the Group has successfully won RMB211.91 million worth of contracts and outperformed its peers in terms of volume and total contract sum. In Southern Grid market, the Group won tenders in five provinces and two cities in recognition of its comprehensive strengths in brand, technology, market, quality, scale and management, with total sum of RMB110 million worth of contracts. The outstanding performance in the two largest traditional grid markets witnessed the Group's competitive strength and leading position.

During the period under review, the Group's power AMI recorded a turnover of RMB893.55 million (first half of 2017: RMB694.60 million, representing an increase of 29% as compared with the corresponding period of last year, and accounting for 54% of the Group's total turnover (first half of 2017: 49%).

Communication and Fluid Advanced Metering Infrastructure Business ("Communication and Fluid AMI Business")

During the period under review, the Group's Communication and Fluid AMI Business developed steadily, with the turnover of RMB503.22 million (first half of 2017: RMB372.81 million), representing an increase of 35% as compared with the corresponding period of last year, and accounting for 30% of the Group's total revenue (first half of 2017: 26%).

The Group has successfully entered water companies in Huangshi, Nantong, Liaoyang, Ordos to further expand customer base. In addition, the Group launched a smart water system solution platform for smart water supply and digital municipal services, of which seven major water system solutions have been formed. The solutions can provide information systems and supporting equipment for water source, water purification plant, water supply and distribution pipe network, water and sewage plants and build a hydrological information management and control platform. In terms of products, the Group's Internet-based water metering products based on narrow-band Internet of Things (NB-IoT) have been launched and promoted in some cities. The Lora+NFC based separate wireless remote smart water metering products under development will also be applied in multi agricultural water reform projects in batches.

The Group's Communications business focuses on power collection system markets and is one of the key players in the growing market. Products include concentrators, collectors, special-purpose terminals and other full range of terminal equipment. In the centralized tender under the State Grid, the Group has successfully won approximately RMB68.37 million, ranking number one in terms of contract sum. After the full coverage of smart grid power data collection, the market scale has gradually deflated. Nevertheless, with the introduction of new power data collection technology specifications and the development of intelligent power system data into a more deepened side, there are new development opportunities in the industry.

In addition, the Group's communications businesses focus on the broad non-power markets. The Group has cooperated with mobile base stations (i.e. operators), rail transit, and data centers, etc. IoT is an essential part of communication technologies and smart grids and is a key business which the Group will strenuously develop into.

Advanced Distribution Operations ("ADO")

China's power distribution market is the largest in the Asia-Pacific region, with a scale reaching to US$286.3 billion in 2017, accounting for 19.9%. In recent years, China has also placed great emphasis on power distribution networks and new energy. During the period under review, the Group's ADO business recorded a turnover of RMB258.15 million (first half of 2017: RMB360.17 million), representing a decrease of 28% as compared with the same period last year and accounting for 16% of the total turnover (first half of 2017: 25%).

The market size of automated equipment series of state-of-the-art distribution network is more than RMB100 billion per year. In terms of new products, the Group's power distribution business department has been working strenuously on innovation and its main businesses are further expanded to the high-end direction of the State Grid and the Southern Grid. In May 2018, the Group won the first batch of agreement inventory centralized procurement tender from State Grid Chongqing Electric Power Company. This is the first time that Wasion Electric Limited's self-developed miniature circuit breakers won the bid under the State Grid. In ADO key industries, the Group won the contract for the design and construction (EPC) project of 26MWP agricultural photovoltaic complementary photovoltaic poverty alleviation power generation project in Qichun County, Hubei, and the ADO model on EPC was further improved. In the field of smart distribution network, the Group has achieved innovative breakthroughs in smart distribution field, such as to develop a new generation distribution terminal based on the IoT, improve the new product system such as smart station area as well as primary and secondary integration equipment, and participate in the discussion and adoption of the smart power distribution area and primary and secondary integration equipment organized by the Inspection Department of the State Grid. The Group has committed to the construction of demonstration projects in Yizhuang, Beijing and Changzhou, Jiangsu. This will provide reliable equipment and mid-to-low voltage integrated solutions for the full completion of a state-of-the-art power distribution network in 2035.

Based on cautious market evaluation and assessment, the Group has paid great efforts in exploring the non-power grid market. For instance, the Group has won a bidding of Phase I rail transit project line no. 3 in Changsha (distribution board procurement project) and Phase II rail transit project line no. 4 in Changsha (distribution board procurement project). In addition, the Group focuses on new industries such as electric chip industry that enjoys rapid development, keen demand, sufficient capital and fast turnaround time.

International market

Geopolitics, local protectionism and the increasing industry competition have become the challenges that the Group has been facing in the international market during the period under review. Despite all the uncertainties, the Group has securely tapped the existing market and expanded into new markets to achieve a turnover of RMB177.64 million in the international market (first half of 2017: RMB286.14 million), representing a decrease of 38% as compared with the same period last year.

Energy business plays a key part in Belt and Road Initiatives and is the foundation for all kinds of infrastructure construction. Under the "Go Out" policy, the Group upholds the operating principle of "March Forward Through Innovative Development" and proactively planning to cooperate with the countries in the regions alongside the Belt and Road. The Group has not only expanded the existing businesses scope but also strengthened the cooperation with local enterprises. In Asia, the cooperation between the Group and South Korea has been further promoted by providing Power AMI products and solutions on their provided platform. In addition, the Group and Bangladesh Rural Electrification Board (BREB) formally signed a contract which includes the supply, installation, testing and maintenance services and electricity sales service of construction projects for smart pre-paid electricity system. This is the first tender of BREB adopting Power AMI systems. The procurement demand in the future will carry on with good prospects. Besides the existing power meter business, the Group has also taken initiatives in participating in the tender of water meters in African markets such as Egypt, Tanzania and other French-speaking countries. In South America, the Group has explored into the markets in Mexico, Brazil, Chile, etc., and accomplished the certification of pilot projects, and entitled the qualification of conducting sales in the market.

Research and Development ("R&D")

Grasping the R&D innovative technologies and launching new products are the on-going pursuit of the Group. During the period under review, the Group received 135 patents for its new products and energy saving services and 93 copyrights for its softwares. The numbers of effective patents & copyrights for new products, and energy saving services increased to 1,195 and 1,017 respectively.

In respect of Power AMI, the Group has launched smart meters of high stability that suit the market in Southern Grid and finished 698 protocol test procedures for State Grid. The Group also invested human and capital resources into the R&D department targeting overseas markets as to strengthen the cooperation with the local customers by providing strong technical and service support for the intellectualization of power grid for our customers. The Group conducted research on the next-generation State Grid power products as well as on various technical fields such as bidirectional core solution, high level communication, bidirectional interaction, and remote upgrades, etc., to meet the needs of new standards and new energy. The Group has cooperation with different institutions and universities, such as big data analysis of power meters with Central South University, R&D cooperation of energy smart router with Shenzhen Power Supply and the next generation of Southern Grid's power metering equipment with Southern Electric Power Research Institute.

The Group continued to focus on communications technology for the next generation of smart grid and energy IoT related products. In view of the future development of the water, gas and heat market, the Group has carried out and actively promoted a series of research and development work, launched targeted products and solutions in different countries and regions. These initiatives have strengthened the Group's market position in seizing the opportunities in the rapid development of the industry.

To meet the development of clean energy and energy storage sectors, the Group continued to conduct R&D projects in liquid metal batteries, including battery cell preparation technology, battery management system, bidirectional converter system, energy management system, smart communications, smart energy cloud management and other key technologies, and continues to enhance the Group's capabilities in the provision of overall solutions for grid-level energy storage systems.

PROSPECTS

Looking forward to the second half of 2018, the direction of economy of China and the world is uncertain and the economies have been facing some critical concerns, such as China-US trade dispute and its on-going change, structural deleveraging and financial risks, real estate market development, the slip in investment growth, etc. The global economic recovery will continue, but in a slow pace.

The Group's three main businesses will follow the adjustment of the energy market on the existing foundation. In State Grid and Southern Grid markets, the Group will further optimize and upgrade the cost and quality of products. In the high-end gateway meter market, the product line will be further refined to consolidate the traditional market share. Facing a decline of tender volume from the two power grid companies, the Group will seek other growing points domestically and strive to maintain the momentum of Power AMI development.

In respect of Fluid AMI, the NB-IoT smart solution is expected to be available in more cities. As a key region alongside the "Belt and Road", the Northwest China that has rich potential for new energy and groundwater resources is the focus of the Group's development in the second half of the year. In terms of communications, the Group will carry out large-scale implementation of the overall solution and mass production.

Guided by the landing policies of "Action Plan for the Construction and Reform of Power Distribution Network (2015–2020)" (《配電網建設改造行動計劃(2015–2020年)》) and "Guiding Opinions about Accelerating the Construction and Reform of Power Distribution Network" (《關於加快配電網建設改造的指導意見》), the construction of power distribution network has become one of the focuses in the future development of China's power industry. During the period under review, cumulative projects of incremental power distribution business reform has increased, providing market opportunities for power distribution network equipment suppliers such as the Group and regional power distribution network operators. The Group has accumulated experiences in smart energy maintenance and project construction and will explore power sharing businesses from commercial-based power stations to user-based power stations to bring greater values. As the portion of the power terminal energy consumption market is increasing, the application of new energy will become more extensive. The Group will focus on rail transit, data centers and commercial enterprises, launch new products in a timely manner to meet customers' increasing quality requirements, and explore new technologies, product direction and profit growth drivers for the next generation of power distribution system.

In terms of R&D, the Group will conduct integrated tests on NB-IoT technologies, dual-mode communication technology and related products, and complete on-site installation and delivery. In addition to the R&D of simple power meter products, the Group will vigorously expand the product testing and after-sales service of AMI solutions, and actively launch corresponding products for different overseas markets.

During the period under review, overseas energy and power markets have turned into a new era of upgrade and transformation, and enterprises have conducted the "Go-Out" strategy, thus accelerating the market competition. However, challenges and opportunities coexist. The research report of "China Energy Outlook 2018–2050" released by the Chinese Academy of Social Sciences initiates that China should carry out power interconnection and cooperation with neighboring countries supported by the "Belt and Road" to achieve a win-win situation. The Group will closely follow the policy to strengthen its cooperation with countries alongside the "Belt and Road" and increase the promotion of Chinese standards. Based on the "Belt and Road" Initiatives, the Group will cautiously and meticulously examine the current energy policies and situation, strategically develop businesses in the Asia, Africa, Latin America, South America and Europe to ensure long-term cooperation with customers and achieve a satisfactory result for mutual benefit.

Although China's macro economy will remain uncertain in the second half of 2018 due to the complicated domestic and overseas' situation, under the circumstance of accelerated energy structure transformation and increasing industry competition, the Group will adhere to guideline of "Seeking Progress In Stability" to lay out energy development and firmly grasp new opportunities in the market. The Group will continue to abide by the corporate vision of "Continual Innovation, Contributing To Wasion's Centennial History" and strengthen investment in innovation and R&D. The Group will focusing in the three major businesses in a timely and effective manner to become leader in the industry.

OTHER INFORMATION

INTERIM DIVIDEND

The directors do not recommend the payment of an interim dividend for the six months ended 30 June 2018 (Period 2017: Nil).

DIRECTORS' INTERESTS IN SHARES AND UNDERLYING SHARES

At 30 June 2018, the interests of the directors and their associates in the shares and underlying shares of the Company and its associated corporations, as recorded in the register maintained by the Company pursuant to Section 352 of the Securities and Futures Ordinance ("SFO"), or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers, were as follows:

Long positions

Ordinary shares of HK$0.01 each of the Company

Name of director	Capacity	Number of issued ordinary shares held	Percentage of the issued share capital of the Company
Ji Wei	Interest of controlled corporation (Note 1)	528,686,888	52.62%
Cao Zhao Hui	Beneficial owner	2,000,000	0.20%
Zeng Xin	Beneficial owner	2,000,000	0.20%
Zheng Xiao Ping	Beneficial owner (Note 2)	3,682,000	0.37%
Hui Wing Kuen	Beneficial owner	440,000	0.04%

Notes:

(1) The shares are held by Star Treasure Investments Holdings Limited ("Star Treasure"), a company incorporated in the British Virgin Islands, the entire issued share capital of which is beneficially owned by Mr. Ji Wei.

(2) 1,990,000 shares and 1,692,000 shares are held by Ms. Zheng Xiao Ping and Mr. Wang Xue Xin respectively. Mr. Wang Xue Xin is the spouse of Ms. Zheng Xiao Ping.

Other than as disclosed above, none of the directors, chief executives nor their associates had any interest or short positions in any shares or underlying shares of the Company or any of its associated corporations, as recorded in the register required to be kept under section 352 of the SFO or otherwise notified to the Company pursuant to the Model Code for Securities Transactions by Directors of Listed Companies as at 30 June 2018.

SUBSTANTIAL SHAREHOLDERS

As at 30 June 2018, the register of substantial shareholders maintained by the Company pursuant to Section 336 of the SFO shows that other than the interests disclosed in the section headed "Directors' interests in shares and underlying shares" above, the following shareholders had notified the Company of relevant interests in the issued share capital of the Company.

Long positions — Ordinary shares of HK$0.01 each of the Company

Name of shareholder	Capacity	Number of issued ordinary shares held	Percentage of the issued capital of the Company
Ji Wei	Interest in controlled corporation	528,686,888	52.62%
Star Treasure	Beneficial owner	528,686,888	52.62%
Edgbaston Asian Equity Trust	Beneficial owner	50,884,000	5.06%
Edgbaston Investment Partners LLP	Investment manager	70,630,000	7.03%

Other than as disclosed above, the Company has not been notified of any other relevant interests or short positions in the issued share capital of the Company as at 30 June 2018.

AUDIT COMMITTEE

The audit committee of the Company (the "Audit Committee") is responsible for assisting the Board in safeguarding the Group's assets by providing an independent review of the effectiveness of the financial reporting process and the internal controls and risk management systems of the Group. It also performs other duties as assigned by the Board.

All the members of the Audit Committee are independent non-executive directors of the Company.

The interim results of the Group for the six months ended 30 June 2018 have been reviewed by the auditors of the Company, Deloitte Touche Tohmatsu, and the Audit Committee.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE OF THE RULES GOVERNING THE LISTING OF SECURITIES ON THE STOCK EXCHANGE OF HONG KONG LIMITED (THE "LISTING RULES")

During the six months ended 30 June 2018, save for Code Provision A.6.7, the Company has applied the principles of and has complied with all code provisions of the Corporate Governance Code as set forth in Appendix 14 of the Listing Rules.

Code Provision A.6.7 provides that independent non-executive directors and non-executive directors of the Company should attend general meetings of the Company. Mr. Huang Jing, Mr. Luan Wenpeng and Mr. Cheng Shi Jie, who are independent non-executive directors of the Company, failed to attend the annual general meeting of the Company held on 25 May 2018 due to conflicts with their schedules.

Save as disclosed, there has been no deviation from the code provisions of the Corporate Governance Code as set forth in the Appendix 14 of the Listing Rules for the six months ended 30 June 2018.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules.

Specific enquiry has been made with all the directors and the directors have confirmed that they have complied with the Model Code throughout the six months ended 30 June 2018.

The Company has also established written guidelines on terms no less exacting than the Model Code for securities transactions by employees who are likely to be in possession of unpublished price-sensitive information of the Company.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES

During the six months ended 30 June 2018, there was no purchase, sale or redemption by the Company, or any of its subsidiaries, of the listed securities of the Company.

APPRECIATION

The Board would like to take this opportunity to express gratitude to our shareholders, customers, banks, professional parties and employees for their continuous patronage and support.

By order of the Board

Ji Wei
Chairman

Hong Kong, 21 August 2018

REPORT ON REVIEW OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Deloitte. 德勤

TO THE BOARD OF DIRECTORS OF WASION HOLDINGS LIMITED
威勝控股有限公司
(FORMERLY KNOWN AS WASION GROUP HOLDINGS LIMITED)
(前稱：威勝集團控股有限公司)
(incorporated in the Cayman Islands with limited liability)

INTRODUCTION

We have reviewed the condensed consolidated financial statements of Wasion Holdings Limited (formerly known as Wasion Group Holdings Limited) (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 20 to 58, which comprise the condensed consolidated statement of financial position as of 30 June 2018 and the related condensed consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the six-month period then ended, and certain explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" ("HKAS 34") issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of these condensed consolidated financial statements in accordance with HKAS 34. Our responsibility is to express a conclusion on these condensed consolidated financial statements based on our review, and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of these condensed consolidated financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated financial statements are not prepared, in all material respects, in accordance with HKAS 34.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong

21 August 2018

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2018

	Notes	Six months ended 30 June 2018 RMB'000 (unaudited)	2017 RMB'000 (unaudited)
Revenue	3	**1,654,925**	1,427,583
Cost of sales		**(1,158,864)**	(1,009,556)
Gross profit		**496,061**	418,027
Other income		**50,441**	62,949
Other gains and losses		**827**	(17,856)
Gain on bargain purchase of interests in subsidiaries	18A	**—**	6,805
Gain on disposal of a subsidiary	18B	**—**	103,294
Administrative expenses		**(85,462)**	(90,332)
Selling expenses		**(143,497)**	(138,741)
Research and development expenses		**(104,391)**	(90,084)
Impairment losses on financial assets		**(2,520)**	—
Finance costs	4	**(24,308)**	(23,271)
Share of results of associates		**(3,703)**	3,306
Profit before taxation		**183,448**	234,097
Income tax expense	5	**(12,646)**	(39,713)
Profit for the period	6	**170,802**	194,384
Profit for the period attributable to			
— Owners of the Company		**137,405**	170,688
— Non-controlling interests		**33,397**	23,696
		170,802	194,384
Other comprehensive (expense) income			
Items that will not be subsequently reclassified to profit or loss			
Fair value changes on investments in equity instruments at fair value through other comprehensive income		**(26,848)**	—
Items that may be subsequently reclassified to profit or loss			
Exchange differences arising on translation of foreign operations		**9,597**	(11,582)
Fair value changes on available-for-sale investments		**—**	(2,176)
Other comprehensive expense for the period		**(17,251)**	(13,758)
Total comprehensive income for the period		**153,551**	180,626
Total comprehensive income for the period attributable to			
— Owners of the Company		**120,154**	156,930
— Non-controlling interests		**33,397**	23,696
		153,551	180,626
Earnings per share	8		
Basic		**RMB13.8 cents**	RMB17.0 cents
Diluted		**RMB13.8 cents**	RMB17.0 cents

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2018

	Notes	At 30 June 2018 RMB'000 (unaudited)	At 31 December 2017 RMB'000 (audited)
NON-CURRENT ASSETS			
Property, plant and equipment	9	**1,291,531**	1,297,170
Prepaid lease payments		**150,291**	151,292
Investment properties		**15,522**	15,638
Goodwill		**297,919**	297,919
Other intangible assets	9	**444,845**	425,825
Investment in associates		**6,026**	9,730
Available-for-sale investments	10A	**—**	217,244
Equity instruments at fair value through other comprehensive income	10B	**117,082**	—
Financial assets at fair value through profit or loss	10C	**234,021**	—
Deferred tax assets		**10,516**	—
Other non-current assets	11	**109,742**	113,773
		2,677,495	2,528,591
CURRENT ASSETS			
Inventories		**471,796**	484,479
Trade and other receivables and prepayments	12A	**3,493,227**	3,245,452
Contract assets	12B	**146,053**	—
Prepaid lease payments		**3,541**	3,541
Financial assets at fair value through profit or loss	10C	**111,040**	—
Loan receivables	13	**105,000**	105,000
Pledged bank deposits		**226,703**	273,099
Bank balances and cash		**1,053,625**	1,243,892
		5,610,985	5,355,463
CURRENT LIABILITIES			
Trade and other payables	15	**2,113,238**	2,253,762
Contract liabilities		**79,547**	—
Tax liabilities		**43,470**	44,183
Borrowings — due within one year	16	**1,160,581**	841,206
		3,396,836	3,139,151
NET CURRENT ASSETS		**2,214,149**	2,216,312
TOTAL ASSETS LESS CURRENT LIABILITIES		**4,891,644**	4,744,903

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

At 30 June 2018

	Notes	At 30 June 2018 RMB'000 (unaudited)	At 31 December 2017 RMB'000 (audited)
CAPITAL AND RESERVES			
Share capital	17	**9,988**	9,988
Reserves		**4,073,029**	4,156,084
Equity attributable to owners of the Company		**4,083,017**	4,166,072
Non-controlling interests		**527,528**	493,878
		4,610,545	4,659,950
NON-CURRENT LIABILITIES			
Borrowings — due after one year	16	**262,093**	67,701
Deferred tax liabilities		**19,006**	17,252
		281,099	84,953
		4,891,644	4,744,903

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 June 2018

	Attributable to owners of the Company												
	Share capital RMB'000	Share premium RMB'000	Merger reserve RMB'000 (Note i)	Exchange reserve RMB'000	PRC statutory reserves RMB'000 (Note ii)	Share option reserve RMB'000	Investment revaluation reserve RMB'000	Shares held for share award scheme RMB'000 (Note iii)	Other reserve RMB'000 (Notes iv and v)	Retained profits RMB'000	Total RMB'000	Non-controlling interest RMB'000	Total RMB'000
At 1 January 2017 (audited)	10,078	1,885,376	49,990	(57,320)	296,940	27,158	(1,200)	(25,119)	12,042	1,950,674	4,148,619	29,095	4,177,714
Profit for the period	–	–	–	–	–	–	–	–	–	170,688	170,688	23,696	194,384
Other comprehensive expense for the period	–	–	–	(11,582)	–	–	(2,176)	–	–	–	(13,758)	–	(13,758)
Total comprehensive (expense) income for the period	–	–	–	(11,582)	–	–	(2,176)	–	–	170,688	156,930	23,696	180,626
Recognition of equity-settled share-based payments	–	–	–	–	–	572	–	–	–	–	572	–	572
Shares repurchased and cancelled (Note 17)	(90)	(35,509)	–	–	–	–	–	–	–	–	(35,599)	–	(35,599)
Transaction costs attributable to shares repurchased	–	(225)	–	–	–	–	–	–	–	–	(225)	–	(225)
Acquisition of subsidiaries (Note 18A)	–	–	–	–	–	–	–	–	–	–	–	58,785	58,785
Disposal of a subsidiary (Note vi)	–	–	–	–	–	–	–	–	3,246	(3,246)	–	–	–
Subscription of shares of a subsidiary by non-controlling interests (Note vii)	–	–	–	–	–	–	–	–	(34,854)	–	(34,854)	425,554	390,700
Dividend recognised as distribution (Note 7)	–	–	–	–	–	–	–	–	–	(204,071)	(204,071)	–	(204,071)
At 30 June 2017 (unaudited)	9,988	1,849,642	49,990	(68,902)	296,940	27,730	(3,376)	(25,119)	(19,566)	1,914,045	4,031,372	537,130	4,568,502
At 31 December 2017 (audited)	**9,988**	**1,645,571**	**49,990**	**(69,353)**	**335,777**	**27,730**	**(4,325)**	**(25,119)**	**(14,353)**	**2,210,166**	**4,166,072**	**493,878**	**4,659,950**
Adjustments (Note 2)	**–**	**–**	**–**	**–**	**–**	**–**	**6,347**	**–**	**–**	**(10,115)**	**(3,768)**	**(247)**	**(4,015)**
At 1 January 2018 (restated and audited)	**9,988**	**1,645,571**	**49,990**	**(69,353)**	**335,777**	**27,730**	**2,022**	**(25,119)**	**(14,353)**	**2,200,051**	**4,162,304**	**493,631**	**4,655,935**
Profit for the period	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**137,405**	**137,405**	**33,397**	**170,802**
Other comprehensive income (expense) for the period	**–**	**–**	**–**	**9,597**	**–**	**–**	**(26,848)**	**–**	**–**	**–**	**(17,251)**	**–**	**(17,251)**
Total comprehensive income (expense) for the period	**–**	**–**	**–**	**9,597**	**–**	**–**	**(26,848)**	**–**	**–**	**137,405**	**120,154**	**33,397**	**153,551**
Distribution of shares under share award scheme	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**3,107**	**–**	**–**	**3,107**	**–**	**3,107**
Subscription of shares of a subsidiary by non-controlling interests	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**500**	**500**
Dividend recognised as distribution	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(202,548)**	**(202,548)**	**–**	**(202,548)**
At 30 June 2018 (unaudited)	**9,988**	**1,645,571**	**49,990**	**(59,756)**	**335,777**	**27,730**	**(24,826)**	**(22,012)**	**(14,353)**	**2,134,908**	**4,083,017**	**527,528**	**4,610,545**

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (Continued)

For the six months ended 30 June 2018

Notes:

(i) Merger reserve represents the difference between the nominal value of shares of the subsidiary acquired over the nominal value of the shares used by the Company in exchange thereafter.

(ii) PRC statutory reserves are reserves required by the relevant laws in the People's Republic of China (the "PRC") applicable to the Group's PRC subsidiaries.

(iii) Shares held for share award scheme represents the own shares of the Company repurchased by a trustee for an employees' share award scheme. During the period ended 30 June 2018, a total of 900,000 ordinary shares of the Company at a fair value of RMB3,107,000 were granted to the employee of the Company.

(iv) Other reserve includes an amount of RMB33,164,000 representing the excess of the balance of plan asset over the carrying amount of shares held under share award plan of the Company, which was recognised upon termination of the plan in prior years.

(v) The Group accounts for changes in the Group's ownership interests in existing subsidiaries that do not result in the Group losing control over those subsidiaries as equity transactions and recognises any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received in other reserve.

(vi) During the period ended 30 June 2017, the Group completed the disposal of 85% equity interest in Hunan Jiale Property Development Co., Ltd. ("Hunan Jiale") to an independent third party and an other reserve amounting to RMB3,246,000 recognised in prior years for previous year's equity transaction is realised and reclassified to retained profits.

(vii) During the period ended 30 June 2017, Willfar Information Technology Company Limited ("Willfar Information Technology"), a subsidiary of the Company has completed share subscriptions by two connected persons and five independent investors for an aggregate of 35% equity interest of Willfar Information Technology. After the share subscriptions, 65% equity interest of Willfar Information Technology are held by the Group and Willfar Information Technology remains as a subsidiary of the Group. The difference between the amounts of contribution from the two connected persons and the five independent investors and the amount by which non-controlling interests is adjusted amounting to RMB34,854,000 is recorded in other reserve. Further details of the subscriptions with the two connected persons are set out in the Company's announcement dated 12 January 2017.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30 June 2018

	Notes	Six months ended 30 June 2018 RMB'000 (unaudited)	2017 RMB'000 (unaudited)
Net cash (used in) from operating activities		**(168,683)**	56,037
Net cash used in investing activities			
Purchase of financial assets at fair value through other comprehensive income		**(77,315)**	—
Placement of pledged bank deposits		**(276,560)**	(400,619)
Placement of short-term bank deposits		**(200,000)**	—
Purchase of financial assets at fair value through profit or loss		**(371,796)**	—
Expenditure on intangible assets		**(66,776)**	(66,419)
Purchase of property, plant and equipment		**(27,882)**	(34,259)
Advance to an associate		**(10,000)**	—
Withdrawal of pledged bank deposits		**322,956**	237,121
Proceed from disposal of financial assets at fair value through profit or loss		**183,319**	—
Proceed from disposal of financial assets at fair value through other comprehensive income		**3,300**	—
Purchase of available-for-sale investments		**—**	(70,000)
Acquisition of subsidiaries, net of cash and cash equivalents acquired	18A	**—**	(14,488)
Capital injection upon establishment of an associate		**—**	(8,750)
Expenditure on prepaid lease payments		**—**	(5,639)
Disposal of a subsidiary, net of cash and cash equivalents disposed of	18B	**—**	(767)
Disposal of an available-for-sale investment		**—**	10,000
Interest income received from available-for-sale investments		**—**	2,648
Other investing cash flows		**11,826**	10,081
		(508,928)	(341,091)
Net cash from financing activities			
New borrowings raised		**809,110**	719,928
Subscription of shares of a subsidiary by non-controlling interests		**500**	390,700
Repayment of borrowings		**(301,264)**	(600,667)
Dividend paid		**(202,548)**	(204,071)
Shares repurchased and cancelled	17	**—**	(35,599)
Transaction costs attributable to shares repurchased and cancelled	17	**—**	(225)
Other financing cash flows		**(24,308)**	(25,299)
		281,490	244,767
Net decrease in cash and cash equivalents		**(396,121)**	(40,287)
Cash and cash equivalents at beginning of the period		**1,243,892**	790,016
Effect of foreign exchange rate changes		**5,854**	(11,109)
Cash and cash equivalents at end of the period		**853,625**	738,620
Represented by:			
Bank balances and cash		**1,053,625**	888,620
Less: Short-term bank deposits		**(200,000)**	(150,000)
		853,625	738,620

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the six months ended 30 June 2018

1. GENERAL INFORMATION AND BASIS OF PREPARATION

The Company is incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of Cayman Islands and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The directors consider the immediate and ultimate holding company to be Star Treasure Investments Holdings Limited, a limited liability company incorporated in the British Virgin Islands (the "BVI"). The addresses of the registered office and principal place of business of the Company are disclosed in the "Corporate Information" section of the interim report.

Pursuant to a special resolution passed at the annual general meeting held on 25 May 2018, the English name of the Company was changed from "Wasion Group Holdings Limited" to "Wasion Holdings Limited" and the Chinese name of the Company was changed from "威勝集團控股有限公司" to "威勝控股有限公司".

The condensed consolidated financial statements have been prepared in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA") as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") (the "Listing Rules").

2. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values, as appropriate.

Other than changes in accounting policies resulting from application of new and amendments to Hong Kong Financial Reporting Standards ("HKFRSs"), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2018 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2017.

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

Application of new and amendments to HKFRSs

In the current interim period, the Group has applied, for the first time, the following new and amendments to HKFRSs issued by the HKICPA which are mandatory effective for the annual period beginning on or after 1 January 2018 for the preparation of the Group's condensed consolidated financial statements:

HKFRS 9	Financial Instruments
HKFRS 15	Revenue from Contracts with Customers and the related Amendments
HK(IFRIC)-Int 22	Foreign Currency Transactions and Advance Consideration
Amendments to HKFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to HKFRS 4	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts
Amendments to HKAS 28	As part of the Annual Improvements to HKFRSs 2014–2016 Cycle
Amendments to HKAS 40	Transfers of Investment Property

The new and amendments to HKFRSs have been applied in accordance with the relevant transition provisions in the respective standards and amendments which results in changes in accounting policies, amounts reported and/or disclosures as described below.

2.1 Impacts and changes in accounting policies of application on HKFRS 15 Revenue from Contracts with Customers

The Group has applied HKFRS 15 for the first time in the current interim period. HKFRS 15 superseded HKAS 18 "Revenue", HKAS 11 "Construction Contracts" and the related interpretations.

The Group recognises revenue from the following major sources:

- sale of smart power meters;
- sale of communication terminals and water, gas and heat metering products; and
- sale of smart power distribution devices.

The Group has applied HKFRS 15 retrospectively with the cumulative effect of initially applying this Standard recognised at the date of initial application, 1 January 2018. Any difference at the date of initial application is recognised in the opening retained profits (or other components of equity, as appropriate) and comparative information has not been restated. Furthermore, in accordance with the transition provisions in HKFRS 15, the Group has elected to apply the Standard retrospectively only to contracts that are not completed at 1 January 2018. Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 18 and HKAS 11 and the related interpretations.

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

2.1 Impacts and changes in accounting policies of application on HKFRS 15 Revenue from Contracts with Customers (Continued)

2.1.1 Key changes in accounting policies resulting from application of HKFRS 15

HKFRS 15 introduces a 5-step approach when recognising revenue:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the Group satisfies a performance obligation

Under HKFRS 15, the Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good and service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

2.1 Impacts and changes in accounting policies of application on HKFRS 15 Revenue from Contracts with Customers (Continued)

2.1.1 Key changes in accounting policies resulting from application of HKFRS 15 (Continued)

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates and enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

A contract asset represents the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with HKFRS 9. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

Contracts with multiple performance obligations (including allocation of transaction price)

For contracts that contain more than one performance obligations (such as the provision of delivery, installation, repair and maintenance services), the Group allocates the transaction price to each performance obligation on a relative stand-alone selling price basis.

The stand-alone selling price of the distinct good or service underlying each performance obligation is determined at contract inception. It represents the price at which the Group would sell a promised good or service separately to a customer. If a stand-alone selling price is not directly observable, the Group estimates it using appropriate techniques such that the transaction price ultimately allocated to any performance obligation reflects the amount of consideration to which the Group expects to be entitled in exchange for transferring the promised goods or services to the customer.

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

2.1 Impacts and changes in accounting policies of application on HKFRS 15 Revenue from Contracts with Customers (Continued)

2.1.1 Key changes in accounting policies resulting from application of HKFRS 15 (Continued)

Warranties

If a customer does not have the option to purchase a warranty separately, the Group accounts for the warranty in accordance with HKAS 37 "Provisions, Contingent Liabilities and Contingent Assets".

2.1.2 Summary of effects arising from initial application of HKFRS 15

The revenue of the Group is recognised at a point in time. Under the transfer-of-control approach in HKFRS 15, revenue from sales of smart power meters, communication terminals, water, gas and heat metering products and smart power distribution devices is generally recognised when customer acceptance has been obtained, which is the point of time when the customer has the ability to direct the use of the products and obtain substantially all of the remaining benefits of the products.

For the revenue from other performance obligations, including the provision of delivery, installation, repair and maintenance services, the directors of the Company reviewed and assessed the estimated amount of transaction prices and considered that the amount is insignificant and no allocation is performed to separately account for the revenue from these other performance obligations.

A contract liability is recognised by the Group when deposit is received in advance from the customers at the time of acceptance of a contract with the customer, which represented the Group's obligation to transfer goods to the customers.

A receivable or a contract asset is recognised by the Group when the goods are delivered to and accepted by the customers, i.e. at the point of time when the revenue is recognised. A receivable is recognised for the portion for which the right to consideration becomes unconditional, as only the passage of time is required before payment is due. A contract asset is recognised for the portion of retention, for which the right to consideration is not yet unconditional.

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

2.1 Impacts and changes in accounting policies of application on HKFRS 15 Revenue from Contracts with Customers (Continued)

2.1.2 Summary of effects arising from initial application of HKFRS 15 (Continued)

The Group has applied HKFRS 15 retrospectively with the cumulative effect of initially applying the standard recognised at the date of initial application, 1 January 2018. In addition, in accordance with the transition provision in HKFRS 15, the Group has elected to apply the standard retrospectively only to contracts that are not completed at 1 January 2018. Since all contracts are completed at 1 January 2018, no adjustments were made to the condensed consolidated statement of financial position at 1 January 2018.

The following table summarises the impacts of applying HKFRS 15 on the Group's condensed consolidated statement of financial position as at 30 June 2018. Line items that were not affected by the changes have not been included.

	Notes	As reported RMB'000	Adjustments RMB'000	Amounts without application of HKFRS 15 RMB'000
Current Assets				
Trade and other receivables		3,493,227	146,053	3,639,280
Contract assets	(a)	146,053	(146,053)	—
Current Liabilities				
Trade and other payables		2,113,238	79,547	2,192,785
Contract liabilities	(b)	79,547	(79,547)	—

Notes:

(a) As at 30 June 2018, retention receivable from customers of RMB146,053,000 were classified as contract assets.

(b) As at 30 June 2018, deposits received in advance from customers of RMB79,547,000 were classified as contract liabilities.

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

2.2 Impacts and changes in accounting policies of application on HKFRS 9 "Financial Instruments"

In the current period, the Group has applied HKFRS 9 "Financial Instruments" and the related consequential amendments to other HKFRSs. HKFRS 9 introduces new requirements for 1) the classification and measurement of financial assets and financial liabilities, 2) expected credit losses ("ECL") for financial assets and 3) general hedge accounting.

The Group has applied HKFRS 9 in accordance with the transition provisions set out in HKFRS 9. i.e. applied the classification and measurement requirements (including impairment) retrospectively to instruments that have not been derecognised as at 1 January 2018 (date of initial application) and has not applied the requirements to instruments that have already been derecognised as at 1 January 2018. The difference between carrying amounts as at 31 December 2017 and the carrying amounts as at 1 January 2018 are recognised in the opening retained profits and other components of equity, without restating comparative information.

Accordingly, certain comparative information may not be comparable as comparative information was prepared under HKAS 39 Financial Instruments: Recognition and Measurement.

2.2.1 Key changes in accounting policies resulting from application of HKFRS 9

Classification and measurement of financial assets

Trade receivables arising from contracts with customers are initially measured in accordance with HKFRS 15.

All recognised financial assets that are within the scope of HKFRS 9 are subsequently measured at amortised cost or fair value, including unquoted equity investments measured at cost less impairment under HKAS 39.

Debt instruments that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

2.2 Impacts and changes in accounting policies of application on HKFRS 9 Financial Instruments (Continued)

2.2.1 Key changes in accounting policies resulting from application of HKFRS 9 (Continued)

***Classification and measurement of financial assets** (Continued)*

Debt instruments that meet the following conditions are subsequently measured at fair value through other comprehensive income ("FVTOCI"):

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and

- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at fair value through profit or loss ("FVTPL"), except that at the date of initial application/initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income ("OCI") if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which HKFRS 3 Business Combinations applies.

In addition, the Group may irrevocably designate a debt investment that meets the amortised cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

Debt instruments/receivables classified as at FVTOCI

Subsequent changes in the carrying amounts for debt instruments/receivables classified as at FVTOCI as a result of interest income calculated using the effective interest method, are recognised in profit or loss. All other changes in the carrying amount of these debt instruments/receivables are recognised in OCI and accumulated under the heading of investment revaluation reserve. Impairment allowance are recognised in profit or loss with corresponding adjustment to OCI without reducing the carrying amounts of these debt instruments/receivables. The amounts that are recognised in profit or loss are the same as the amounts that would have been recognised in profit or loss if these debt instruments/receivables had been measured at amortised cost. When these debt instruments/receivables are derecognised, the cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss.

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

2.2 Impacts and changes in accounting policies of application on HKFRS 9 Financial Instruments (Continued)

2.2.1 Key changes in accounting policies resulting from application of HKFRS 9 (Continued)

Classification and measurement of financial assets (Continued)

Equity instruments designated as at FVTOCI

At the date of initial application/initial recognition, the Group may make an irrevocable election (on an instrument-by-instrument basis) to designate investments in equity instruments as at FVTOCI.

Investments in equity instruments at FVTOCI are initially measured at fair value plus transaction costs. Subsequently, they are measured at fair value with gains and losses arising from changes in fair value recognised in OCI and accumulated in the investment revaluation reserve; and are not subject to impairment assessment. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, and will be transferred to retained profits in investment revaluation.

Dividends on these investments in equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established in accordance with HKFRS 9, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends are included in the "other income" line item in profit or loss.

Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI or designated as FVTOCI are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial asset and is included in the "other gains and losses" line item.

The directors of the Company reviewed and assessed the Group's financial assets as at 1 January 2018 based on the facts and circumstances that existed at that date. Changes in classification and measurement on the Group's financial assets and the impacts thereof are detailed in Note 2.2.2.

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

2.2 Impacts and changes in accounting policies of application on HKFRS 9 Financial Instruments (Continued)

2.2.1 Key changes in accounting policies resulting from application of HKFRS 9 (Continued)

Impairment under ECL model

The Group recognises a loss allowance for ECL on financial assets which are subject to impairment under HKFRS 9 (including trade and other receivables, loan receivables, pledge bank deposits, bank balances and cash and contract assets). The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("12m ECL") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment is done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises lifetime ECL for trade receivables and contract assets. The ECL on these assets are assessed individually for debtors with significant balances and collectively using a provision matrix with appropriate groupings.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, in which case the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

2.2 Impacts and changes in accounting policies of application on HKFRS 9 Financial Instruments (Continued)

2.2.1 Key changes in accounting policies resulting from application of HKFRS 9 (Continued)

Impairment under ECL model (Continued)

Significant increase in credit risk (Continued)

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the aforegoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the reporting date. A debt instrument is determined to have low credit risk if i) it has a low risk of default, ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. The Group considers a debt instrument to have low credit risk when it has an internal or external credit rating of "investment grade" as per globally understood definitions.

The Group considers that default has occurred when the instrument is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

2.2 Impacts and changes in accounting policies of application on HKFRS 9 Financial Instruments (Continued)

2.2.1 Key changes in accounting policies resulting from application of HKFRS 9 (Continued)

Impairment under ECL model (Continued)

Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information.

Generally, the ECL is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortised cost of the financial asset.

Except for investments in debt instruments/receivables that are measured at FVTOCI, the Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount, with the exception of trade receivables and contract assets where the corresponding adjustment is recognised through a loss allowance account. For investments in debt instruments that are measured at FVTOCI, the loss allowance is recognised in OCI and accumulated in the FVTOCI reserve without reducing the carrying amounts of these debt instruments/receivables.

As at 1 January 2018, the directors of the Company reviewed and assessed the Group's existing financial assets and contract assets for impairment using reasonable and supportable information that is available without undue cost or effort in accordance with the requirements of HKFRS 9. Except for trade and receivables, no additional impairment allowance was recognised at 1 January 2018 as the amount is considered not material. The results of the assessment and the impact thereof are detailed in Note 2.2.2.

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

2.2 Impacts and changes in accounting policies of application on HKFRS 9 Financial Instruments (Continued)

2.2.2 Summary of effects arising from initial application of HKFRS 9

The table below illustrates the classification and measurement (including impairment) of financial assets and financial liabilities and other items subject to ECL under HKFRS 9 and HKAS 39 at the date of initial application, 1 January 2018.

	Notes	Available-for-sale RMB'000	Other non-current assets RMB'000	Equity instruments at FVTOCI RMB'000	Financial assets at FVTPL RMB'000	Trade and other receivables RMB'000	Deferred tax assets RMB'000	Deferred tax liabilities RMB'000	Investment revaluation reserve RMB'000	Retained profits RMB'000	Non-controlling interests RMB'000
Closing balance at 31 December 2017 – HKAS 39		217,244	33,731	–	–	3,245,452	–	(17,252)	4,325	(2,210,166)	(493,878)
Effect arising from initial application of HKFRS 9:											
Reclassification											
From available-for-sale	(a)	(217,244)	–	97,244	120,000	–	–	–	–	–	–
From other non-current assets	(b)	–	(33,731)	–	33,731	–	–	–	–	–	–
Remeasurement											
Impairment under ECL model	(c)	–	–	–	–	(13,816)	3,454	–	–	10,115	247
Remeasurement at fair value	(a)	–	–	8,463	–	–	–	(2,116)	(6,347)	–	–
Opening balance at 1 January 2018		–	–	105,707	153,731	3,231,636	3,454	(19,368)	(2,022)	2,200,051	(493,631)

Notes:

(a) Available-for-sale investments

From AFS equity investments to FVTOCI

The Group elected to present in OCI for the fair value changes of all its equity investments previously classified as available-for-sale. At the date of initial application of HKFRS 9, RMB97,244,000 were reclassified from available-for-sale investments to equity instruments at FVTOCI, of which RMB39,737,000 related to unlisted equity investments previously measured at cost less impairment under HKAS 39. The fair value gains of RMB8,463,000 relating to those unlisted equity investments previously carried at cost less impairment were adjusted to equity instruments at FVTOCI, deferred tax liabilities and investment revaluation reserve as at 1 January 2018. The fair value losses of RMB4,325,000 relating to those investments previously carried at fair value continued to accumulate in investment revaluation reserve.

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

2.2 Impacts and changes in accounting policies of application on HKFRS 9 Financial Instruments (Continued)

2.2.2 Summary of effects arising from initial application of HKFRS 9 (Continued)

Notes: (Continued)

(a) Available-for-sale investments (Continued)

From AFS debt investments to FVTPL

Investment in trust funds with a fair value of RMB120,000,000 were reclassified from available-for-sale investments to financial assets at FVTPL. This is because even though the Group's business model is to hold financial assets in order to collect contractual cash flows, the cash flows of these investments do not meet the HKFRS 9 criteria as solely payments of principal and interest on the principal amount outstanding. No fair value gains or losses were accumulated as at 1 January 2018.

(b) From other non-current assets to financial assets at FVTPL

Other non-current asset of RMB33,731,000, representing of life insurance products are reclassified to financial assets at FVTPL. This is because even though the Group's business model is to hold financial assets in order to collect contractual cash flows, the cash flows of these investments are not solely payments of principal and interest on the principal amount outstanding. No fair value gains or losses were accumulated as at 1 January 2018.

(c) Impairment under ECL model

The Group applies the HKFRS 9 simplified approach to measure ECL using a lifetime ECL for all trade receivables and contract assets. To measure the ECL, contract assets and trade receivables have been grouped based on shared credit risk characteristics. The contract assets represents to retention receivables and have substantially the same risk characteristics as the trade receivables for the same types of contracts. The Group has therefore concluded that the expected loss rates for the trade receivables are a reasonable approximation of the loss rates for the contract assets.

Loss allowances for other financial assets at amortised cost mainly comprise loan receivables, other receivables, pledged bank deposits and bank balances and cash, are measured on 12m ECL basis and there has been no significant increase in credit risk since initial recognition.

As at 1 January 2018, the additional credit loss allowance of RMB13,816,000 has been recognised against retained profits. The additional loss allowance is charged against the trade receivables. No additional impairment allowance is charged against the remaining financial assets as the amount is considered not material.

2. PRINCIPAL ACCOUNTING POLICIES (Continued)

2.3 Impacts on opening condensed consolidated statement of financial position arising from the application of all new standards

As a result of the changes in the entity's accounting policies above, the opening condensed consolidated statement of financial position had to be restated. The following table show the adjustments recognised for each individual line item.

	31 December 2017 (Audited) RMB'000	HKFRS 9 RMB'000	1 January 2018 (Restated) RMB'000
Non-current Assets			
Available-for-sale investments	217,244	(217,244)	—
Equity instruments at FVTOCI	—	105,707	105,707
Financial assets at FVTPL	—	120,000	120,000
Other non-current assets	33,731	(33,731)	—
Deferred tax assets	—	3,454	3,454
Other items with no adjustments	2,277,616	—	2,277,616
	2,528,591	(21,814)	2,506,777
Current Assets			
Trade and other receivables	3,245,452	(13,816)	3,231,636
Financial assets at FVTPL	—	33,731	33,731
Other items with no adjustments	2,110,011	—	2,110,011
	5,355,463	19,915	5,375,378
Current Liabilities			
Others with no adjustments	3,139,151	—	3,139,151
Net Current Assets	2,216,312	19,915	2,236,227
Total Assets less Current Liabilities	4,744,903	(1,899)	4,743,004
Capital and Reserves			
Equity attributable to owners of the Company	4,166,072	(3,768)	4,162,304
Non-controlling interests	493,878	(247)	493,631
Total Equity	4,659,950	(4,015)	4,655,935
Non-current Liabilities			
Other items with no adjustments	67,701	—	67,701
Deferred tax liabilities	17,252	2,116	19,368
	84,953	2,116	87,069
	4,744,903	(1,899)	4,743,004

3. REVENUE AND SEGMENT INFORMATION

Information reported to the Group's Chief Executive Officer, being the chief operating decision maker (the "CODM"), for the purposes of resources allocation and assessment of segment performance focuses on business lines of the Group.

Specifically, the Group's reportable and operating segments under HKFRS 8 were as follows:

(a) Power advanced metering infrastructure segment, which engages in the development, manufacture and sale of smart power meters and provision of respective system solution;

(b) Communication and fluid advanced metering infrastructure segment, which engages in the development, manufacture and sale of communication terminals and water, gas and heat metering products and provision of respective system solution; and

(c) Advanced distribution operations segment, which engages in the manufacture and sale of smart power distribution devices and providing smart power distribution solution and energy efficiency solution.

The following is an analysis of the Group's revenue and results by reportable and operating segments:

For the six months ended 30 June 2018

	Power advanced metering infrastructure RMB'000	Communication and fluid advanced metering infrastructure RMB'000	Advanced distribution operations RMB'000	Consolidated RMB'000
Segment revenue	893,551	503,222	258,152	1,654,925
Timing of revenue recognition				
At a point of time	893,551	503,222	258,152	1,654,925
Segment profit	82,853	92,519	26,773	202,145
Unallocated income and gains/losses				27,287
Central administration costs				(17,973)
Finance costs				(24,308)
Share of results of associates				(3,703)
Profit before taxation				183,448

3. REVENUE AND SEGMENT INFORMATION (Continued)

For the six months ended 30 June 2017

	Power advanced metering infrastructure RMB'000	Communication and fluid advanced metering infrastructure RMB'000	Advanced distribution operations RMB'000	Consolidated RMB'000
Segment revenue	694,606	372,807	360,170	1,427,583
Segment profit	62,344	54,966	26,328	143,638
Unallocated income and gains/losses				24,895
Gain on bargain purchase of interests in subsidiaries				6,805
Gain on disposal of a subsidiary				103,294
Share of results of associates				3,306
Central administration costs				(24,570)
Finance costs				(23,271)
Profit before taxation				234,097

Segment profit represents the profit earned by each segment without allocation of certain items of other income and central administration costs, share of results of associates, gain on bargain purchase of interests in subsidiaries, gain on disposal of a subsidiary, directors' salaries, finance costs and taxation. This is the measure reported to the CODM, for the purposes of resources allocation and performance assessment.

4. FINANCE COSTS

	Six months ended 30 June	
	2018 **RMB'000** **(unaudited)**	2017 RMB'000 (unaudited)
Interest on borrowings	**24,308**	25,299
Less: amounts capitalised in the cost of qualifying assets	**—**	(2,028)
	24,308	23,271

For the six months ended 30 June 2017, the borrowing costs capitalised of RMB2,028,000 (2018: Nil) arose on the general borrowing pool and are calculated by applying a capitalisation rate of 4.19% per annum to expenditures on qualifying assets.

5. INCOME TAX EXPENSE

	Six months ended 30 June	
	2018 **RMB'000** **(unaudited)**	2017 RMB'000 (unaudited)
PRC Enterprise Income Tax ("EIT")		
— current period	**35,900**	39,613
— overprovision in prior periods	**(22,155)**	(1,238)
	13,745	38,375
Deferred taxation		
— current period	**(1,099)**	1,338
	12,646	39,713

5. INCOME TAX EXPENSE (Continued)

Notes:

(i) Hong Kong

No provision for Hong Kong Profits Tax has been made as the Group did not earn any income that was subject to Hong Kong Profits Tax during each of the six months ended 30 June 2017 and 2018.

(ii) The PRC

PRC EIT was calculated based on the statutory rate of 25% of the assessable profit for those subsidiaries established in the PRC, as determined in accordance with the relevant income tax rules and regulations in the PRC, except that certain PRC subsidiaries which are approved as enterprises that satisfied the condition as high technology development enterprises and obtained the Certificate of High New Technology Enterprise continue to enjoy the preferential tax rate of 15% for a consecutive three years from year 2015 to 2017, year 2016 to 2018 or year 2017 to 2019, respectively.

According to the notice of "Preferential Policies on Enterprise Income Tax" (Cai Shui [2008] No. 1) issued by the State Administration of Taxation, the preferential treatment set out above continues under the implementation of the EIT Law.

(iii) Other jurisdictions

Taxation arising in other jurisdictions is calculated at the rates prevailing in the respective jurisdictions. Under the Decree Law No. 58/99/M Chapter 2, Article 12, dated 18 October 1999, a Macao company incorporated under that Law ("58/99/M Company") is exempted from Macao Complementary Tax (Macao Income Tax) as long as the 58/99/M Company does not sell its products to a Macao resident company.

No deferred taxation has been provided in respect of the undistributed earnings of the Group's PRC subsidiaries arising on or after 1 January 2008 as the directors consider that such earnings will not be distributed in the foreseeable future.

6. PROFIT FOR THE PERIOD

	Six months ended 30 June	
	2018 RMB'000 (unaudited)	2017 RMB'000 (unaudited)
Profit for the period has been arrived at after charging (crediting) the following items:		
Amortisation of intangible assets (included in selling expenses, administrative expenses and research and development expenses)	**47,756**	44,010
Depreciation of investment properties	**115**	115
Depreciation of property, plant and equipment	**30,768**	30,741
Release of prepaid lease payments	**1,894**	4,162
Net exchange loss	**2,217**	13,347
Fair value loss on revaluation of an available-for-sale investment upon reclassification as a subsidiary	**—**	3,670
Bank interest income	**(8,861)**	(6,766)
Interest income from loans receivables	**(10,097)**	(11,579)
Gain on disposal of an available-for-sale investment	**—**	(6,000)

7. DIVIDENDS

During the period, a cash dividend of HK$0.24, equivalent to RMB0.194, per share (six months ended 30 June 2017: HK$0.24, equivalent to RMB0.212, per share) was declared and paid to the shareholders as the final dividend for 2017. The aggregate amount of the final dividend declared and paid in the current interim period amounting to RMB202,548,000 (six months ended 30 June 2017: RMB204,071,000).

The directors do not recommend the payment of an interim dividend for the period (six months ended 30 June 2017: nil).

8. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to owners of the Company is based on the following data:

	Six months ended 30 June	
	2018	2017
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Earnings		
Earnings for the purposes of basic and diluted earnings per share (profit for the period attributable to owners of the Company)	**137,405**	170,688

	2018	2017
Number of shares		
Weighted average number of ordinary shares for the purpose of basic and diluted earnings per share	**997,753,719**	1,002,541,123

The weighted average number of ordinary shares shown above has been arrived at after deducting the shares held by the trustee of the share award scheme of the Company as set out in Note 19.

The computation of diluted earnings per share for both periods does not assume the exercise of share options because the exercise prices of those options were higher than the average market price for the period.

9. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT AND OTHER INTANGIBLE ASSETS

During current interim period, the Group incurred costs of RMB1,563,000 (six months ended 30 June 2017: RMB16,250,000) on the construction of new factory and office premises and acquired property, plant and equipment of RMB26,319,000 (six months ended 30 June 2017: RMB20,037,000) in order to upgrade its manufacturing capabilities. Development costs of RMB66,776,000 (six months ended 30 June 2017: RMB56,353,000) are capitalised.

10A. AVAILABLE-FOR-SALE INVESTMENTS

	At 30 June 2018 RMB'000 (unaudited)	At 31 December 2017 RMB'000 (audited)
Available-for-sale investments comprise:		
Equity securities listed in Hong Kong measured at fair value	–	57,507
Unlisted equity securities, at cost less impairment (Note i)	–	39,737
Investments in trust funds, at fair value (Note ii)	–	120,000
	–	217,244

Notes:

(i) Amount represents unlisted equity securities issued by private entities established in the PRC. They are measured at cost less impairment at the end of the reporting period because the fair value cannot be reliably measured.

(ii) Amount represents investments in trust funds made by the Group through security houses. The trust funds invested in ranges of debt instrument products which were generally government bonds and corporate loans.

10B. EQUITY INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

Equity instruments at fair value through other comprehensive income comprise:

	At 30 June 2018 RMB'000 (unaudited)	At 31 December 2017 RMB'000 (audited)
Equity securities listed in Hong Kong	81,439	—
Equity securities listed in the PRC	17,442	—
Unlisted equity securities (Note)	18,201	—
	117,082	—

Note: Amount represents unlisted equity securities issued by private entities established in the PRC. During the current period ended 30 June 2018, the Group disposed an unlisted equity securities with carrying amount of RMB33,000,000 to an independent third party.

10C. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

Financial assets at fair value through profit or loss comprise:

	At 30 June 2018 RMB'000 (unaudited)	At 31 December 2017 RMB'000 (audited)
Equity securities listed in the PRC	1,040	—
Investments in trust funds (Note i)	310,000	—
Life insurance products (Note ii)	34,021	—
	345,061	—

Notes:

(i) Amounts represent investments in trust funds made by the Group through security houses. The trust funds invested in ranges of debt instrument products which were generally government bonds and corporate loans. Out of RMB310,000,000, investment amount of RMB200,000,000 was entered for 3 years and was classified under non-current assets.

(ii) In prior years, the Company entered into two life insurance policies with an insurance company to insure two executive directors. Under these policies, the beneficiary and policy holder is the Company. The Company is required to pay an upfront payment for each policy. The Company may request a partial surrender or full surrender of the policy at any time and receive cash back based on the value of the policy at the date of withdrawal, which is determined by the gross premium paid at inception plus accumulated guaranteed interest earned and minus insurance premium charged (the "Cash Value"). If such withdrawal is made at any time during the first to the fifteen or eighteenth policy year, as appropriates, a pre-determined specified surrender charge would be imposed on the Company.

11. OTHER NON-CURRENT ASSETS

	At 30 June 2018 RMB'000 (unaudited)	At 31 December 2017 RMB'000 (audited)
Consideration receivables for disposal of subsidiaries (Note i)	77,000	77,000
Consideration receivables for disposal of unlisted equity investment (Note ii)	29,700	—
Deposit paid for purchase of certain properties	3,042	3,042
Life insurance products	—	33,731
	109,742	113,773

Notes:

(i) The balance of RMB77,000,000 (31 December 2017: RMB77,000,000) carries fixed interest at 4.75% per annum and is repayable in 2022.

(ii) Amount represented consideration receivable for the disposal of 15% equity interest in Hunan Jiale. The balance carries fixed interest at 4.35% per annum and is repayable in 2020.

12A. TRADE AND OTHER RECEIVABLES AND PREPAYMENTS

Due to the nature of business, the settlement terms of trade receivables are based on the achievement of certain milestones of each sales transaction. The Group generally allows credit periods ranging from 90 days to 365 days to its trade customers, except for certain customers, where the credit periods may be beyond 365 days.

The following is an analysis of the Group's trade and bills receivables, net of allowance for doubtful debts, presented based on the revenue recognition dates at the end of the reporting period:

	At 30 June 2018 RMB'000 (unaudited)	At 31 December 2017 RMB'000 (audited)
Trade and bills receivables		
0–90 days	**1,173,915**	995,265
91–180 days	**382,928**	397,833
181–365 days	**629,288**	402,859
Over 1 year	**528,098**	561,181
	2,714,229	2,357,138
Retentions held by trade customers (note i)	**261,146**	327,021
Deposits, prepayments and other receivables	**396,852**	351,424
Loan receivables (note ii)	**90,000**	138,869
Consideration receivables for disposal of subsidiaries	**21,000**	71,000
Loan receivable from an associate (note iii)	**10,000**	—
	3,493,227	3,245,452

Notes:

(i) Upon the application of HKFRS 15, the retentions held by trade customers arising from the sales contracts entered into after 1 January 2018 are classified as contract assets. The amount of RMB261,146,000 (31 December 2017: RMB327,021,000) represents retentions held by trade customers arising from the sales contracts which were already completed as of 31 December 2017.

(ii) Upon the disposal of 85% equity interest in Hunan Jiale to an independent third party as detailed in Note 18B, Hunan Jiale will repay a shareholder's loan of RMB138,869,000. During the current period ended 30 June 2018, an amount of RMB48,869,000 is settled and the remaining amount of RMB90,000,000 is expected to be repaid in one year.

(iii) The amount represents short-term loan to an associate which carry fixed interests at 4.71% per annum and is repayable within six months from the end of the reporting period.

12B. CONTRACT ASSETS

The contract assets primarily relate to the Group's right to consideration for goods delivered and not billed for the sales contracts entered after 1 January 2018 because the rights are conditional on the completion of the retention period. The contract assets are transferred to trade receivables when the rights become unconditional. This amount is expected to be realised after twelve months from the end of the reporting period.

13. LOAN RECEIVABLES

	At 30 June 2018 RMB'000 (unaudited)	At 31 December 2017 RMB'000 (audited)
Fixed-rate loan receivables	**105,000**	105,000

The amounts represent short-term loans advanced by the Group to an independent third party under entrusted loan contracts. These entrusted loans carry fixed interests at 12% per annum and are repayable in October 2018.

Certain land and buildings of the borrowers have been pledged to the Group, and the Group is not permitted to sell these assets in the absence of default of the borrowers. The pledge will be released upon settlement of the relevant loans.

14. IMPAIRMENT ASSESSMENT ON FINANCIAL ASSETS AND OTHER ITEMS SUBJECT TO ECL MODEL

As part of the Group's credit risk management, the Group applies internal credit rating for its customers in relation to its operation.

The estimated loss rates are estimated based on historical observed default rates over the expected life of the debtors and are adjusted for forward-looking information that is available without undue cost or effort. The grouping is regularly reviewed by management to ensure relevant information about specific debtors is updated.

During the current interim period, the Group has recognised an impairment allowance of RMB2,520,000 based on application of a provision matrix approach to measurement of ECL.

15. TRADE AND OTHER PAYABLES

The following is an analysis of the Group's trade and bills payables by age, presented based on the invoice date at the end of the reporting period:

	At 30 June 2018 RMB'000 (unaudited)	At 31 December 2017 RMB'000 (audited)
Trade and bills payables		
0–90 days	1,294,952	1,314,662
91–180 days	498,203	534,649
181–365 days	187,276	176,102
Over 1 year	52,518	65,739
	2,032,949	2,091,152
Other payables	80,289	162,610
	2,113,238	2,253,762

16. BORROWINGS

During the period, the Group obtained bank loans of RMB809,110,000 (six months ended 30 June 2017: RMB719,928,000) and repaid bank loans of RMB301,264,000 (six months ended 30 June 2017: RMB600,667,000). The loans carry interest at market rates ranging from 3.30% to 5.69% (six months ended 30 June 2017: 2.01% to 4.44%) per annum and are repayable in instalments over a period of 3 years. The proceeds were used for general working capital purposes and to finance the acquisition of property, plant and equipment.

17. SHARE CAPITAL

	Number of shares	Nominal value HK$'000
Ordinary shares of HK$0.01 each		
Authorised:		
At 1 January 2017, 30 June 2017, 31 December 2017 and 30 June 2018	100,000,000,000	1,000,000
		RMB'000
Issued and fully paid:		
At 1 January 2017	1,014,881,675	10,078
Shares repurchased and cancelled (Note)	(10,160,000)	(90)
At 30 June 2017, 31 December 2017 and 30 June 2018	1,004,721,675	9,988

Note: The Company repurchased its own shares through the Stock Exchange as follows:

Six months ended 30 June 2017

Month of repurchase	Number of ordinary shares of HK$0.01 each of the Company	Price per share Highest HK$	Price per share Lowest HK$	Aggregate consideration paid RMB'000
March 2017	4,160,000	4.20	4.01	14,932
April 2017	6,000,000	4.08	3.81	20,667
	10,160,000			35,599

The above ordinary shares were cancelled upon repurchase.

None of the Company's subsidiaries purchased, sold or redeemed any of the Company's listed securities during the period.

18A. ACQUISITION OF SUBSIDIARIES

Period ended 30 June 2017

In May 2017, the Group completed its acquisition of 31.413% equity interest in Zhuhai Zhonghui Microelectronics Co. Ltd. and its subsidiaries ("Zhuhai Zhonghui"), a former 18.64% held available-for-sale investment of the Group, from certain independent third parties and connected persons at an aggregate consideration of RMB32,701,000. Upon completion of the acquisition, the Group owns a total equity interest of 50.053% in Zhuhai Zhonghui and Zhuhai Zhonghui becomes a non wholly-owned subsidiary of the Group. Further details of the transaction are set out in the Company's announcement dated 13 February 2017.

Zhuhai Zhonghui is a company established in the PRC which principally engaged in the design and development, manufacture and sale of integrated circuits, intelligent instrument communication and measurement solutions.

	RMB'000
Consideration transferred:	
Cash	32,701
Available-for-sale investment (Note i)	19,404
	52,105
Provisional fair value of assets acquired and liabilities recognised at the date of acquisition:	
Property, plant and equipment	22,344
Prepaid lease payment	3,198
Other intangible assets	3,581
Deferred tax assets	433
Trade and other receivables	96,409
Inventories	53,331
Bank balances and cash	18,213
Trade and other payables	(79,814)
	117,695
Bargain purchase gain arising on the acquisition (Note ii):	
Consideration transferred	52,105
Plus : non-controlling interests (Note iii)	58,785
Less : net assets acquired	(117,695)
	(6,805)
Net cash outflow arising from the acquisition:	
Cash consideration paid	(32,701)
Bank balances and cash acquired	18,213
	(14,488)

18A. ACQUISITION OF SUBSIDIARIES (Continued)

Six months ended 30 June 2017 (Continued)

Notes:

(i) The previously held interest in Zhuhai Zhonghui was remeasured at fair value at the date of acquisition and the resulting loss of RMB3,670,000 was recognised in profit or loss (see Note 6).

(ii) The introduction of the Company as the new controlling shareholder of Zhuhai Zhonghui enable Zhuhai Zhonghai to have a stronger capital base for meeting its working capital requirements and facilitating its future business development and expansion. In the opinion of the directors of the Company, the above were the key factors leading to the recognition of the above gain of RMB6,805,000 during the six months ended 30 June 2017.

(iii) The non-controlling interest recognised at the acquisition date were measured with reference to the non-controlling interest's proportionate share of fair values of the net assets at that date.

(iv) The aggregate acquisition-related costs amounting to RMB106,000 have been excluded from the consideration transferred and was recognised as an expense during the six months ended 30 June 2017, within the administrative expenses line item in the condensed consolidated statement of profit or loss and other comprehensive income.

18B. DISPOSAL OF A SUBSIDIARY

Six months ended 30 June 2017

On 28 June 2017, the Group completed the disposal of 85% equity interest in Hunan Jiale to an independent third party (the "Buyer") for a deferred cash consideration of RMB187,000,000, and Hunan Jiale will repay a shareholder's loan of RMB138,869,000 owing to the Group by June 2018. Following the completion of the disposal, the Group retains 15% equity interest in Hunan Jiale as an available-for-sale investment.

Out of the total amount of deferred cash consideration of RMB187,000,000, an amount of RMB110,000,000 is repayable within one year from the date of disposal, and the remaining amount of RMB77,000,000 carries fixed interest at 4.75% per annum and is repayable in 2022.

The management has assessed the ultimate realisation of these consideration receivables by considering the financial conditions and the current creditworthiness of the Buyer and Hunan Jiale, and the subsequent settlement of the deferred cash consideration. Up to the date of approving these condensed consolidated financial statements for six months ended 30 June 2018, an amount of RMB110,000,000 is settled from the Buyer and two pieces of land from the Buyer are pledged to the Group. The directors of the Company are of the opinion that there is no recoverability problem for the consideration receivables and the shareholder's loan.

18B. DISPOSAL OF A SUBSIDIARY (Continued)

Six months ended 30 June 2017 (Continued)

The net assets of Hunan Jiale at the date on which control was lost were as follows:

	RMB'000
Consideration:	
Deferred cash consideration	
— non-current	77,000
— current (included in other receivables as at 30 June 2017)	110,000
Available-for-sale investment	33,000
	220,000
Analysis of assets and liabilities over which control was lost:	
Property, plant and equipment	4
Prepaid lease payment	257,519
Bank balances and cash	767
Other payables	(141,584)
Net assets disposed of	116,706
Gain on disposal:	
Consideration	220,000
Net assets disposed of	(116,706)
Gain on disposal	103,294
Cash outflow arising from the disposal:	
Bank balances and cash disposed of	767

19. SHARE-BASED PAYMENT TRANSACTION

Share award scheme

The Company's share award scheme (the "Scheme") was adopted pursuant to a resolution passed on 3 May 2016. Pursuant to the Scheme under which eligible employees are entitled to participate. The purpose of the Scheme is to recognise the contributions by certain employees and to provide them with incentives in order to retain them for the continual operation and development of the Group and also to attract suitable personnel for further development of the Group. The Scheme became effective on 3 May 2016 and, unless otherwise terminated or amended, will remain in force for 10 years.

The Scheme is operated through a trustee which is independent of the Group and has the right to, among other conditions, in its sole discretion, determine whether the shares are to be purchased on or off the Stock Exchange from time to time, unless during the year at which the directors of the Company are prohibited by the Listing Rules or any corresponding codes or securities dealing restrictions adopted by the Company. In any given financial year of the Company, the maximum number of shares to be purchased by the trustee for the purpose of the Scheme shall not exceed 10% of the total number of issued shares as at the beginning of that financial year.

The directors would notify the trustee of the Scheme in writing upon the making of any award to any participants. Upon the receipt of such notice, the trustee would set aside the appropriate number of awarded shares in the pool of shares. No new shares would be allotted and issued to satisfy the awards made under the Scheme.

On 16 March 2018, the Group granted 900,000 ordinary shares of the Company to the employees of the Group, recognised the cost of RMB3,107,000 as equity-settled share-based payments in the condensed consolidated income statement during the current interim period.

The closing price of the shares of the Company immediately before the grant of awarded shares is HK$3.97 per share.

20. CAPITAL COMMITMENTS

	At 30 June 2018 RMB'000 (unaudited)	At 31 December 2017 RMB'000 (audited)
Capital expenditure contracted for but not provided in the condensed consolidated financial statements in respect of		
— acquisition of property, plant and equipment	**24,099**	23,716
— additions of construction in progress	**—**	530
	24,099	24,246

21. RELATED PARTY DISCLOSURES

(a) Transactions

Relationship	Transactions	Six months ended 30 June 2018 RMB'000 (unaudited)	2017 RMB'000 (unaudited)
An associate	Sales of goods by the Group	**19,278**	94,731
	Rental income received by the Group	**—**	226

(b) Balances

Details of balances between the Group and an associate are as below:

	At 30 June 2018 RMB'000 (unaudited)	At 31 December 2017 RMB'000 (audited)
Loan receivable due from an associate (note)	**10,000**	—
Trade receivable due from an associate	**21,540**	42,559
Trade payables due to an associate	**(6,810)**	(20,670)
Other payable due to an associate	**—**	(5,136)

Note: The amount carries fixed interest at 4.71% per annum and is repayable within six months from the end of the reporting period.

(c) The remuneration of directors and other members of key management of the Group during the period were as follows:

	Six months ended 30 June 2018 RMB'000 (unaudited)	2017 RMB'000 (unaudited)
Short-term benefits	**2,711**	3,528
Retirement benefit scheme contributions	**54**	76
	2,765	3,604

The remuneration of key management is determined by the remuneration committee of the Company having regard to the performance of individuals and market trends.

22. FAIR VALUE MEASUREMENTS OF FINANCIAL INSTRUMENTS

(a) Fair value of the Group's financial assets and financial liabilities that are measured at fair value on a recurring basis

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorised (Levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Financial assets	Fair value as at 30.06.18	Fair value as at 31.12.17	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)
1) Held-for-trading non-derivative financial assets classified as financial assets at FVTPL in the condensed consolidated statement of financial position	Listed equity securities in PRC: RMB1,039,600	–	Level 1	Quoted bid prices in an active market.	N/A
2) Non-derivative financial assets classified as financial assets at FVTOCI in the condensed consolidated statement of financial position	Listed equity securities in PRC: RMB17,442,000 Listed equity securities in HK: RMB81,439,000	Listed equity securities in HK: RMB57,507,000	Level 1	Quoted bid prices in an active market.	N/A
3) Unlisted equity securities	Unquoted equity investment in a certain PRC company: RMB18,201,000	–	Level 3	Comparable approach	Price/Earning ratio of comparable public companies and adjustment factors
4) Unlisted investments in trust fund	RMB310,000,000	RMB120,000,000	Level 2	Redemption price provided by the fund manager, which was based on net assets value of the fund	N/A
5) Life insurance products	RMB34,021,000	–	Level 2	Value quoted by the insurance company	N/A